

ARMAND J. KORNFELD (WSBA #17214)  
THOMAS A. BUFORD (WSBA #52969)  
RICHARD B. KEETON (WSBA #51537)  
BUSH KORNFELD LLP  
601 Union Street, Suite 5000  
Seattle, WA 98101  
Tel.: (206) 292-2110  
Facsimile: (206) 292-2104  
Emails: jkornfeld@bskd.com, tbuford@bskd.com, and  
rkeeton@bskd.com

RICHARD M. PACHULSKI (CA Bar #90073)\*  
JEFFREY W. DULBERG (CA Bar #181200)\*  
MAXIM B. LITVAK (CA Bar #215852)\*  
PACHULSKI STANG ZIEHL & JONES LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067-4003  
Tel: (310) 277-6910  
Facsimile: (310) 201-0760  
Emails: rpachulski@pszjlaw.com,  
jdulberg@pszjlaw.com, and mlitvak@pszjlaw.com

\*Admitted *Pro Hac Vice*

*Attorneys for Plaintiffs,  
Debtors and Debtors in Possession*

HONORABLE WHITMAN L. HOLT

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON

In re

EASTERDAY RANCHES, INC., *et al.*

Debtors.<sup>1</sup>

EASTERDAY RANCHES, INC. and  
EASTERDAY FARMS,

Plaintiffs,

v.

ESTATE OF GALE A. EASTERDAY  
(DECEASED), KAREN L. EASTERDAY,  
CODY A. EASTERDAY, AND DEBBY  
EASTERDAY

Defendants.

Chapter 11

Lead Case No. 21-00141-WLH11  
Jointly Administered

Adv. Pro. No. 21-80050 (WLH)

**DEBTORS' ANSWER AND  
AFFIRMATIVE DEFENSES TO  
COUNTERCLAIMS OF KAREN  
L. EASTERDAY**

<sup>1</sup> The Debtors along with their case numbers are as follows: Easterday Ranches, Inc. (21-00141) and Easterday Farms, a Washington general partnership (21-00176).

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BUSH KORNFELD LLP  
LAW OFFICES  
601 Union St., Suite 5000  
Seattle, Washington 98101-2373  
Telephone (206) 292-2110  
Facsimile (206) 292-2104

1 Easterday Ranches, Inc. (“Ranches”) and Easterday Farms (“Farms”), the above-  
2 captioned debtors and debtors in possession (collectively, the “Debtors” or “Plaintiffs”),  
3 hereby submit this reply (the “Reply”) to the counterclaims (the “Counterclaims”) set  
4 forth in *Karen L. Easterday’s Answer, Affirmative Defenses, and Counterclaims to*  
5 *Complaint (I) To Determine Validity, Priority, or Extent of Interests in Property and*  
6 *(II) For Declaratory Judgment* [Adv. Docket No. 14] (the “Answer”) filed by  
7 Defendant Karen L. Easterday, individually and as personal representative of the  
8 probate estate of Gale A. Easterday (in such capacities, “Defendant”) to the *Complaint*  
9 *(I) To Determine Validity, Priority, or Extent of Interests in Property and (II) For*  
10 *Declaratory Judgment* [Adv. Docket No. 1] (the “Complaint”).<sup>2</sup> In support hereof, the  
11 Debtors respectfully state as follows:

### 12 REPLY TO COUNTERCLAIMS

- 13 1. No response to paragraph 1 of the Counterclaims is required because the  
14 Counterclaims speak for themselves.
- 15 2. Paragraph 2 of the Counterclaims is admitted.
- 16 3. Paragraph 3 of the Counterclaims is admitted.
- 17 4. Paragraph 4 of the Counterclaims is admitted.
- 18 5. No response to paragraph 5 of the Counterclaims is required because the  
19 transactional documents related to the Sale speak for themselves.
- 20 6. Paragraph 6 of the Counterclaims is denied to the extent that it avers that  
21 the Sale Properties<sup>3</sup> were owned by any party other than the Debtors.

22  
23  
24 <sup>2</sup> A capitalized term used but not defined herein shall have the meaning ascribed to it  
25 in the Complaint.

26 <sup>3</sup> The defined term “Sale Properties” shall have the meaning ascribed to it in paragraph  
27 1 of the Answer.

28 DEBTORS’ ANSWER AND AFFIRMATIVE  
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1           7. Paragraph 7 of the Counterclaims is denied to the extent that it avers that  
2 the water rights with respect to the Sale Properties were owned by any party other than  
3 the Debtors.

4           8. Paragraph 8 of the Counterclaims is denied to the extent that it avers that  
5 any of the irrigation improvements sold as part of the Sale were owned by any party  
6 other than the Debtors.

7           9. Paragraph 9 of the Counterclaims does not call for a response.

8           10. Paragraph 10 of the Counterclaims is admitted.

9           11. No response to paragraph 11 of the Counterclaims is required because the  
10 *Stipulation By and Between Debtors and Non-Debtor Sellers Regarding Cooperation*  
11 *with Respect to the Sale of Debtor and Non-Debtor Assets* [Bankr. Docket No. 640] (the  
12 “Cooperation Agreement”), as approved at Bankr. Docket No. 655, speaks for itself.

13           12. Paragraph 12 of the Counterclaims is denied.

14           13. Paragraph 13 of the Counterclaims does not call for a response, but to the  
15 extent a response is required, it is denied.

16           14. Paragraph 14 of the Counterclaims is denied.

17           15. Paragraph 15 of the Counterclaims calls for a legal conclusion for which  
18 no response is required, but to the extent a response is required, the paragraph is denied.

19           16. Paragraph 16 of the Counterclaims calls for a legal conclusion for which  
20 no response is required, but to the extent a response is required, the paragraph is denied.

21           17. Paragraph 17 of the Counterclaims does not call for a response.

22           18. Paragraph 18 of the Counterclaims does not call for a response.

23           19. No response to paragraph 19 of the Counterclaims is required because the  
24 Complaint and Counterclaims speak for themselves, but to the extent that a response is  
25 required the Debtors admit they asserted an interest in the Sale Properties and the  
26 proceeds therefrom following the Sale.

27           DEBTORS’ ANSWER AND AFFIRMATIVE  
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LAW OFFICES  
601 Union St., Suite 5000  
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1           20. Paragraph 20 of the Counterclaims calls for a legal conclusion for which  
2 no response is required.

3           21. Paragraph 21 of the Counterclaims calls for a legal conclusion, and no  
4 further response is required because the Counterclaims speak for themselves.

5           22. Paragraph 22 of the Counterclaims calls for a legal conclusion for which  
6 no response is required.

7           23. Paragraph 23 of the Counterclaims calls for a legal conclusion for which  
8 no response is required, but to the extent a response is required, the paragraph is denied.

9           24. Paragraph 24 of the Counterclaims calls for a legal conclusion for which  
10 no response is required, but to the extent a response is required, the paragraph is denied.

11           25. Paragraph 25 of the Counterclaims does not call for a response.

12           26. No response to paragraph 26 of the Counterclaims is required because the  
13 Complaint and Counterclaims speak for themselves, but to the extent that a response is  
14 required the Debtors admit they asserted an interest in the water rights with respect to  
15 Sale Properties and the proceeds therefrom following the Sale.

16           27. Paragraph 27 of the Counterclaims calls for a legal conclusion for which  
17 no response is required.

18           28. Paragraph 28 of the Counterclaims calls for a legal conclusion, and no  
19 further response is required because the Counterclaims speak for themselves.

20           29. Paragraph 29 of the Counterclaims calls for a legal conclusion for which  
21 no response is required.

22           30. Paragraph 30 of the Counterclaims calls for a legal conclusion, and no  
23 further response is required because the Counterclaims speak for themselves.

24           31. Paragraph 31 of the Counterclaims calls for a legal conclusion for which  
25 no response is required, but to the extent a response is required, the paragraph is denied.  
26

27           DEBTORS' ANSWER AND AFFIRMATIVE  
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32. Paragraph 32 of the Counterclaims calls for a legal conclusion for which no response is required, but to the extent a response is required, the paragraph is denied.

33. Paragraph 33 of the Counterclaims does not call for a response.

34. No response to paragraph 34 of the Counterclaims is required because the Complaint and Counterclaims speak for themselves, but to the extent that a response is required the Debtors admit they asserted an interest in the irrigation improvements that were sold as part of the Sale and the proceeds therefrom following the Sale.

35. Paragraph 35 of the Counterclaims calls for a legal conclusion for which no response is required.

36. Paragraph 36 of the Counterclaims calls for a legal conclusion, and no further response is required because the Counterclaims speak for themselves.

37. Paragraph 37 of the Counterclaims calls for a legal conclusion for which no response is required.

38. Paragraph 38 of the Counterclaims calls for a legal conclusion for which no response is required, but to the extent a response is required, the paragraph is denied.

39. Paragraph 39 of the Counterclaims calls for a legal conclusion for which no response is required, but to the extent a response is required, the paragraph is denied.

#### **FIRST AFFIRMATIVE DEFENSE**

40. The Counterclaims fail to state a claim upon which relief can be granted.

#### **SECOND AFFIRMATIVE DEFENSE**

41. The Second, Third, and Fourth Counterclaims are barred, in whole or in part, by the statute of frauds.

#### **THIRD AFFIRMATIVE DEFENSE**

42. Each Counterclaim is barred, in whole or in part, by the doctrines of unclean hands and/or *in pari delicto*.

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BUSH KORNFIELD LLP  
LAW OFFICES  
601 Union St., Suite 5000  
Seattle, Washington 98101-2373  
Telephone (206) 292-2110  
Facsimile (206) 292-2104

1 **FOURTH AFFIRMATIVE DEFENSE**

2 43. Each Counterclaim is barred, in whole or in part, by the doctrine of waiver.

3 **FIFTH AFFIRMATIVE DEFENSE**

4 44. Each Counterclaim is barred, in whole or in part, by the doctrine of  
5 estoppel.

6 **SIXTH AFFIRMATIVE DEFENSE**

7 45. The Second, Third, and Fourth Counterclaims are barred, in whole or in  
8 part, by the doctrine of failure of consideration.

9  
10 **PRAYER FOR RELIEF**

11 WHEREFORE, by reason of the foregoing, the Debtors request that the court  
12 enter judgment:

- 13 (1) determining that the proceeds of the Disputed Property (as defined  
14 in the Complaint) belong to the Debtors' estates and not to  
15 individual members of the Easterday family, including Defendant;
- 16 (2) declaring that the proceeds of the Disputed Property (as defined in  
17 the Complaint) constitute estate property in their entirety;
- 18 (3) denying Defendant's request for judgment directing any specific  
19 performance by Plaintiffs with respect to the Cooperation  
20 Agreement because of Plaintiffs' good faith compliance with the  
21 Cooperation Agreement;
- 22 (4) declaring that the Sale Properties belonged to the Debtors' estates  
23 prior to the Sale and not to individual members of the Easterday  
24 family, including Defendant;
- 25 (5) determining that the proceeds of the Sale Properties belong to the  
26 Debtors' estates in their entirety and not to individual members of  
27 the Easterday family, including Defendant;

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Facsimile (206) 292-2104

- 1 (6) declaring that the water rights with respect to the Sale Properties  
2 belonged to the Debtors' estates prior to the Sale and not to  
3 individual members of the Easterday family, including Defendant;
- 4 (7) determining that the proceeds of the water rights with respect to the  
5 Sale Properties belong to the Debtors' estates in their entirety and  
6 not to individual members of the Easterday family, including  
7 Defendant;
- 8 (8) declaring that the irrigation improvements with respect to the Sale  
9 Properties belonged to the Debtors' estates prior to the Sale and not  
10 to individual members of the Easterday family, including  
11 Defendant;
- 12 (9) determining that the proceeds of the irrigation improvements with  
13 respect to the Sale Properties belong to the Debtors' estates in their  
14 entirety and not to individual members of the Easterday family,  
15 including Defendant; and
- 16 (10) granting the Debtors such other and further relief as the court deems  
17 just, proper, and equitable, including the costs and expenses of this  
18 action.

19 Dated: December 8, 2021

BUSH KORNFELD LLP

*/s/ Thomas A. Buford, III*

THOMAS A. BUFORD, III (WSBA 52969)  
BUSH KORNFELD LLP

RICHARD M. PACHULSKI (admitted *pro hac vice*)  
JEFFREY W. DULBERG (admitted *pro hac vice*)  
MAXIM B. LITVAK (admitted *pro hac vice*)  
PACHULSKI STANG ZIEHL & JONES LLP

*Attorneys for Plaintiffs,  
Debtors and Debtors in Possession*

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BUSH KORNFELD LLP  
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Seattle, Washington 98101-2373  
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